Half Year Financial Report 2025

Building your future

Principality
Building Society
Cymdeithas Adeiladu

Where home matters
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Forward Looking Statements

This interim report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report. Such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information. Therefore, actual results may differ materially from those expressed or implied by these forward-looking statements.

The Directors undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Chief Executive's review

Interim Report

I'm pleased to report encouraging progress in Principality's first half performance towards our ambitions to create a society of savers where everyone has a place to call home.

Despite a backdrop of challenging global and market conditions, we have achieved a strong and resilient performance in the first half of 2025. Amid pressures on households and businesses, your Society delivered against our ambitious strategy, invested in local communities while attracting savers, growing our mortgage book and commercial lending business, amid pressures on households and businesses.

Thank you for continuing to put your trust in us, as our Members and customers. This would also not be possible without the hard work and dedication from Principality colleagues who live and breathe our values, working hard to make the hopes and aspirations of our Members possible and I'd like to thank them for their commitment.

Better Homes

Creating a Society where everyone has a place to call home remains central to our purpose. Affordability and housing supply continue to pose significant challenges for buyers, even after two Bank of England base rate cuts so far in 2025.

As a modern mutual, we strive to remove barriers, make more possible and create a more accessible housing market, whether through helping Members save to buy their first home, or working with local and national governments to deliver large scale, complex developments that aim to meet affordable housing needs through our Commercial arm.

We also want to ensure our products remain competitive, which is why we passed two thirds of rate reductions on to mortgage customers on variable loans.

In the first half of the year, I'm pleased to say we helped 4,033 first-time buyers (30 June 2024: 3,576) purchase the keys to their first home, bringing our total number of homeowners to 89,295 (30 June 2024: 84,611).

I am proud that our commercial team continues to perform well against a backdrop of a challenging economic market, providing funding to the majority of housing associations in Wales, to create more affordable housing.

We remain encouraged by the quality and momentum of our ongoing conversations with housing associations.

I am also pleased to share we are expanding our offering in North Wales, with newly committed funding of £15m to North Wales Housing Association and approval for a new deal with Clwyd Alwyn Housing Association, which will see Principality provide funding of £35m.

Together, these important deals form part of our overall £300m of funding which we have committed to housing associations in Wales.

I am also delighted that the excellent customer service Principality colleagues have given to our Members led to us being voted Best Building Society for Customer Service by What Mortgage for the eighth consecutive year. At the same time, I'm pleased that we have met our target for our Customer Satisfaction Score (CSAT), which was 70% at the end of June.

Chief Executive's review (continued)

Secure Future - creating a Society of savers

We want to provide our Members with competitive savings rates so that we can create a Society of resilient savers, with financial resilience at the heart of our purpose.

It has never been more important to save for life's uncertainties, so I'm pleased to share that in the first six months of this year, your Society has seen a net increase of 1,452 new savings customers[1], with 95,922 Members now saving regularly with us (30 June 2024: 72,519), 23,403 more than this time last year.

Many of our new customers have joined us through our regular saver products, with our six-month regular saver being our most popular product this year. We're pleased to see our products helping more Members save more regularly for their long and short-term goals.

Our customer centric approach is providing real benefits for our savings business as two-thirds of our savings growth has been generated through the retail network this year - with savings balances, including interest paid, increasing by £0.5bn.

While others are withdrawing from face-to-face services, I am proud that Principality is continuing to provide the highest standard of services in communities across Wales and the borders, as we remain the largest financial services presence, committing to our branch presence until at least 2030. We are also investing in our network, which is why we recently relocated our Swansea branch to a more central location on the high street.

At the same time, our newly launched website allows us to continue to improve the experience across our digital and physical channels, balancing innovation and tradition and meeting Members where they are, whether online or in branch.

This year's ISA season also marked a surge of growth with balances growing by £302m, including branch ISA balances increasing by £183m, highlighting the real value people put into the product, aimed at growing their savings. The proposed changes to Cash ISA limits have been a big theme of Member feedback this year, so we have been working hard with the Building Society's Association (BSA) and through proactive engagement with Treasury, to ensure Member voices are being heard.

We're expecting at least one more base rate cut this year, which should be positive news for mortgage customers, even though it presents challenges for savers. While we aim to remain as competitive as possible, we must operate prudently within broader market conditions.

As a building Society and a mutual, we're owned by our Members, not shareholders, so I'm proud to say that on average, we've paid savers 3.98% versus the market average of 3.18%[2] for the first four months of 2025, resulting in the equivalent of an additional £29m (0.80%) in interest paid to our saving members.

[1] Total Savers (30 June 2025: 454,534, 31 December 2024: 453,082)
[2] Source: CACI's CSDB, Stock, Weighted Average Interest Rate for January 2025 - April 2025.

Chief Executive's review (continued)

Fairer Society

Because we're Member-owned, we do things a little differently - we're proud that we support our communities, rather than paying dividends to shareholders. This enables us to reinvest a percentage of our profits into tackling social challenges and supporting the development of a fairer, more inclusive Society.

In 2022, we strengthened this commitment by pledging to allocate up to 3% of our annual profit for social purpose - resulting in over £1.5 million invested to date in community grants and initiatives. The latest round of funding for our Future Generations Fund opens in September, which will see £500,000 available for third sector and community organisations across Wales to bid for, where there is considerable hardship within some of our communities.

Building on this momentum, I was also very proud to announce our new charity partnership earlier this year with Barnardo's Cymru. This colleague-led partnership encourages colleagues to give their time and effort to raise much needed funding. The Society has already committed over £100,000 in donations to launch the partnership, providing vital support to improve the lives of children and young people across Wales.

We continue to listen to our Members, and evolve our ways of boosting access to cash to communities that need it most. This year, we opened the doors to a new branch concept in Buckley library, partnering with OneBanx to install a terminal providing essential cash services for customers of 23 major banks.

The Society's pledge to diversity and inclusion continues this year and I'm delighted that we have been awarded Best for Supporting Different Pathways to Parenthood at the 2025 Best Practice Awards.

Resilient Financial Performance

The credit quality of our existing book remains resilient despite challenging market conditions, as we stay true to our purpose of helping more people to buy their first home, increasing by £0.4bn and bringing our retail mortgage balances to £10.9bn (31 December 2024: £10.5bn).

We have seen an expected reduction of net interest margin to 1.17% (31 December 2024: 1.22%) reflecting market pressures and the falling rate environment.

We have seen an increase in our underlying profit, for the first 6 months of the year at £22.5m[3] (30 June 2024: £20.1m), whilst statutory profit before tax was £21.9m broadly in line with last years performance (30 June 2024: £22.4m).

Meanwhile, our retail savings have increased by £0.5bn, taking our current total retail savings balance to £11.3bn (31 December 2024: £10.8bn), proving that we are making real progress in our ambitions to get more people saving, more regularly.

As a business, we hold adequate liquidity and capital reserves to remain resilient and secure for the long term.

Outlook

The political and economic outlook for the second half of the year remains challenging. At the same time, the response from major high street banks has led to stiff competition for the mutual sector, while challenger digital-first banks with alternative income streams and asset portfolios have entered the market offering headline grabbing savings rates.

While quite high on the political agenda, growth is expected to slow as a result of continued uncertainty both globally and closer to home.

[3] See page 7 for a reconciliation of underlying profit before tax.

Chief Executive's review (continued)

Outlook (continued)

Meanwhile, inflation is still above target and rising national insurance contributions for employers are expected to put pressure on wage growth, with more tax shocks for businesses on the horizon. As a result, the market will look to the forthcoming Bank of England base rate decisions to ease affordability pressures for people with mortgages and to drive investment and economic growth.

Against this backdrop of economic uncertainty and increased competition, Principality remains resilient and steadfast to our purpose: to build a Society of savers where everyone has a place to call home, just as we have for the past 165 years.

I'm proud of the resilience we've shown in the first half of 2025, and confident we will continue to meet the needs of our customers, colleagues, and communities.

Thank you for your continued support of your Society.

Julie-Ann Haines
Chief Executive Officer
1 August 2025

Business review
for the six months ended 30 June 2025

Strategic Key Performance Indicators

We measure our performance through Strategic Key Performance Indicators (SKPIs) which are aligned to our strategic outcomes and ambitions to ensure Members can prosper in their homes at every stage of life.

2025 Strategic Key Performance Indicators (SKPIs)

Better Homes	Secure Futures	Fairer Society
Total number of homes owned	Total number of savers	Reduction in CO_2 emissions across our operations
Total number of first time buyers	Total number of customers saving regularly	Amount of funds distributed for social impact activity
Total number of new homes funded	Total number of young people accessing opportunities	Percentage of women in leadership positions (reintroduced March 2023)
Total committed to new RSL lending		Colleague representation of minority ethnicities

Better Homes

SKPI	2025 HY	2024 HY	2024 FY
Total number of homes owned	89,295	84,611	87,558
Total number of first time buyers	4,033	3,576	8,120
Total number of new homes funded	55	86	247
Total committed to new RSL lending	£15m	£41m	£51m

Secure Futures

SKPI	2025 HY	2024 HY	2024 FY
Total number of savers	454,534	427,085	453,082
Total number of customers saving regularly[1]	95,922	72,519	81,871
Total number of young people accessing opportunities[2]	32,191	35,421	50,217

Fairer Society

SKPI	2025 HY	2024 HY	2024 FY
(Increase) in CO_2 emissions across our operations[3]	- Tonnes	- Tonnes	(42) Tonnes
Amount of funds distributed for social impact activity	£0.4m	£0.4m	£1.5m
Percentage of women in leadership positions	52%	41%	46%
Colleague representation of minority ethnicities[4]	3.0%	3.5%	3.4%

[1] Customers who have had a positive movement in their balance any 4 months in the last 6 months.

[2] Total number of young people accessing opportunities provided by the Society, including financial education, work experience and opportunities created from the Future Generations Fund partnership.

[3] The change in Co2 emissions across our operations is only calculated once a year on the December position.

[4] New SKPI for 2025; excludes colleagues on lower pay scales.

Business review (continued)
for the six months ended 30 June 2025

Key Performance Indicators

The below performance indicators, apart from statutory profit before tax, are alternative performance measures (APMs) which are used internally to inform key management decisions.

	Six months to 30 June 2025	Six months to 30 June 2024	Year ended 31 December 2024
Financial Performance Measures			
Net retail mortgage growth[1]	£405.7m	£605.3m	£1,206.6m
Net savings growth[2]	£534.6m	£832.2m	£1,723.8m
Net interest margin	1.17%	1.21%	1.22%
Management expense ratio	0.84%	0.91%	0.94%
Statutory profit before tax	£21.9m	£22.4m	£49.2m
Underlying profit before tax	£22.5m	£20.1m	£40.3m
Common Equity Tier 1 ratio	18.9%	19.6%	19.8%
Stakeholder Experience			
Colleague engagement[3]	79.0	86.0	81.0
Customer experience[4]	70.0	69.4	71.7
Broker experience[5]	82.4	85.8	86.6

[1] This movement is calculated excluding any fair value amount attributed to retail mortgages. The difference in fair value adjustments between December 2024 and June 2025 was £(94.4)m.
[2] This movement is calculated excluding any fair value amount attributed to savings. The difference in fair value adjustments between December 2024 and June 2025 was £7.6m.
[3] Source: Based on the Peakon Engagement Platform for May 2025. The result refers to the degree to which our employees feel connected to their work, their colleagues, and the wider business.
[4] Source: Based on Qualitrics customer survey data for June 2025.
[5] Source: Based on Qualitrics broker survey data for June 2025.

Further information on these APMs can be found within the 2024 Annual Report and Accounts within the strategic report and glossary sections.

Financial performance

Income statement

As detailed in the Chief Executive's review, the underlying profit before tax for the six months to 30 June 2025 was £22.5m (30 June 2024: £20.1m). Statutory profit before tax was £21.9m (30 June 2024: £22.4m). Both measures reflect the continued resilient performance of the Society during a challenging first half of the year, with the increase in underlying profit primarily due to an increase in net interest income, driven by the £405.7m net retail mortgage growth achieved in the first half of the year. These profits continue to enable the Society to support Members and colleagues.

	30 June 2025 £m	30 June 2024 £m	31 December 2024 £m
Statutory profit before tax	**21.9**	**22.4**	**49.2**
Adjusted for:			
Fair value losses/(gains)	0.6	(2.3)	(8.9)
Underlying profit before tax	22.5	20.1	40.3

The purpose of the underlying measure is to reflect management’s view of the group’s underlying performance, presented to aid comparability across reporting periods. This is adjusted for items which affect statutory measures but are deemed to be either uncontrollable in nature such as fair value movements, which are predominantly driven by swap prices that are outside of management's control. This aligns to measures used by management to monitor the performance of the business.

Business review (continued)
for the six months ended 30 June 2025

Net interest margin

The Society's net interest margin began to fall in 2024 as the UK entered a falling rate environment, with the Bank of England's base rate falling by 0.5%. This trend has continued in 2025, with base rate reduced by a further 0.5%, and net interest margin for the period of 1.17% (30 June 2024: 1.21%).

Despite this compression of margin, net interest income has increased by £3.1m (30 June 2024: reduction of £17.2m), primarily due to the growth in the mortgage book.

Fair value movements

Fair value movements represent the change in value of certain assets and liabilities to reflect underlying market rates. These movements are primarily timing differences, which will reverse as the asset or liability approaches maturity. During the period, the group recognised a loss of £0.6m in the income statement (30 June 2024: £2.3m gain) in relation to these movements in fair value.

Operating expenses

Operating expenses have fallen marginally when compared with the same period last year at £59.0m (30 June 2024: £59.5m). The main drivers of this fall are decreased staff costs following an internal restructure to ensure the Society's operating model is fit for the future. The decrease in the cost income ratio is due primarily to an increase in net interest income. Focus on managing the cost base of the Society as a proportion of assets remains a key strategic priority. The management expense ratio has fallen through the first half of 2025 due to more robust cost control and impact of the restructure in 2024.

Total operating expenses are set out in the table below:

	30 June 2025 £m	30 June 2024 £m	31 December 2024 £m
Retail financial services	57.1	57.6	120.8
Commercial lending	1.5	1.5	3.0
Secured personal lending	0.4	0.4	0.8
Total operating expenses	59.0	59.5	124.6
Management expense ratio[1]	0.84%	0.91%	0.94%
Underlying management expense ratio[2]	0.78%	0.81%	0.80%
Cost income ratio[3]	69.9%	73.2%	70.8%

[1] The management expense ratio measures costs as a proportion of mean assets.
[2] The underlying management expense ratio is as above but with community commitments, strategic investment, exceptional non-recurring items and other items adjusted for remuneration purposes stripped out of operating expenses.
[3] The cost income ratio measures cost as a proportion of net income.

The underlying management expense ratio within the table above strips out items of expenditure totalling £4.1m (30 June 2024: £7.0m) that are either one-off in nature or do not relate to the day-to-day running costs of the business; these items have been removed to provide an accurate measure of the ongoing cost to run the business.

Business review (continued)
for the six months ended 30 June 2025

Impairment provisions for losses on loans and advances

The group continues to have a low level of arrears, reflecting our prudent lending criteria, credit quality and underwriting standards. The performance of the group's loan portfolios continues to be strong. The percentage of arrears in our retail portfolio has increased slightly to 0.49% (31 December 2024: 0.46%), however this compares favourably to the industry average of 1.03%[1].

The income statement impairment provision charge of £0.3m, includes a £0.6m charge (31 December 2024: £3.5m release) for retail, secured lending and commercial lending provisions and a £0.3m release (31 December 2024: £0.1m release) in relation to provisions held against treasury instruments. This increases provisions against loans and advances to £31.2m (31 December 2024: release of £3.6m to £30.6m). The charge is due to an increase in the retail mortgage provisions as a result of growth in the retail portfolio and the slight increase in arrears, this is offset by a reduction in commercial lending provisions and the continued run off of the secured personal lending portfolio and related provisions.

Total impairment provisions against loans and advances are as follows:

	30 June 2025 £m	30 June 2024 £m	31 December 2024 £m
Retail mortgages	20.7	20.6	18.5
Secured personal lending	1.0	2.0	1.5
Commercial lending	9.5	11.1	10.6
Total	31.2	33.7	30.6

Total ECL coverage as at 30 June 2025 was 0.19% (December 2024: 0.18%) in respect of retail financial services and secured personal lending and 0.95% in respect of commercial lending (December 2024: 1.03%).

Statement of financial position

Total assets have remained flat at £14.1bn (31 December 2024: £14.1bn), this is due to reductions in liquid assets following the repayment of £250m TFSME liability, a final £300m to be paid prior to 21 October 2025, and utilisation of our cash reserves held with the Bank of England ahead of the inaugural Covered Bond programme in the second half of 2025, offset by further growth in retail and commercial mortgages. The continued mortgage growth is the reward and result of the major investment in technology in our mortgage platforms and increased mortgage on-boarding capability. The Society aims to continue this growth trajectory, increasing the number of homeowners while maintaining a scalable organisation.

Loans and advances to customers

The retail mortgage portfolio increased to £10.9bn (31 December 2024: £10.5bn) with a net growth of £0.4bn. The quality of the loans remains strong with an average balance to value of 60.2% (31 December 2024: 59.4%). The commercial lending portfolio grew by £45.3m in the first half of the year to £838.5m (31 December 2024: £793.2m). The secured personal lending portfolio continued to run off, decreasing to £42.7m (31 December 2024: £49.2m).

Funding

Funding levels are closely monitored to maintain a diverse and balanced funding base. The majority of funding comes from retail savings, which has increased to £11.3bn (31 December 2024: £10.8bn) as a result of attractive interest rates drawing more savings, particularly with fixed rate bond and ISA products. Retail savings balances are the primary method of supporting our retail lending with 95.9% (31 December 2024: 95.7%) of the total loans funded in this way.

[1] Source: UK Finance arrears and possession data as at May 2025, Arrears greater than 2.5% of balances.

Business review (continued)
for the six months ended 30 June 2025

Capital and liquidity

The group's Common Equity Tier 1 ratio, which measures qualifying capital reserves as a proportion of risk weighted assets, is 18.9% as at 30 June 2025 (31 December 2024: 19.8%). This includes a post model adjustment (PMA) as a result of regulatory changes which came into effect on 1 January 2022. The model redevelopment is in an advanced stage with consultation ongoing with the PRA, and the PMA applied is based on the expected capital requirement following model completion. The reduction in the period is as a result of the growth in the retail mortgage portfolio and an increase in higher loan to value (LTV) lending, as the Society supports more first time buyers.

The PRA leverage ratio, a measure of Tier 1 capital held against total (non-risk-weighted) assets, including certain off-balance sheet commitments, has reduced to 5.3% at the end of the period (31 December 2024: 5.5%). The capital position remains robust and both ratios are well above the minimum regulatory requirements.

The business continues to hold a conservative buffer of high quality liquid assets, with a liquidity ratio of 15.6% (31 December 2024: 18.9%), the reduction in the period a result of the TFSME liability repayment and liquid asset utilisation ahead of the Covered Bond issuance. Also as a result of the above, the Liquidity Coverage Ratio (LCR) has fallen to 168% at 30 June 2025 (31 December 2024: 231%), although it remains well above the current regulatory minimum of 100%.

Principal risks and uncertainties

The principal risks and uncertainties affecting the group were set out in the Risk Overview section of the Strategic Report in the Annual Report and Accounts for the year ended 31 December 2024. These risks are categorised as: credit, market, liquidity and funding, solvency, conduct, legal and regulatory, operational, business, and model risk. These categories are common to most financial services firms in the UK.

These remain the principal risks to the group at 30 June 2025.

Although the business is exposed to a number of potential risks and uncertainties, it is well placed to meet these challenges, with a diversified and flexible funding base, and strong levels of capital and liquidity.

Iain Mansfield
Chief Financial Officer
1 August 2025

Condensed consolidated income statement
Group interim results for six months to 30 June 2025

	Notes	6 months to 30 June 2025 £m (Unaudited)	6 months to 30 June 2024 £m (Unaudited)	Year ended 31 December 2024 £m (Audited)
Interest receivable and similar income	3	356.8	351.2	724.4
Interest payable and similar charges	4	(275.2)	(272.7)	(562.4)
Net interest income		81.6	78.5	162.0
Fees and commission receivable	5	1.2	1.6	2.9
Fees and commission payable		(1.2)	(1.2)	(2.4)
Net fee and commission income		-	0.4	0.5
Other operating income		0.5	0.5	1.7
Other fair value (losses)/gains	6	(0.6)	2.3	8.9
Net operating income		81.5	81.7	173.1
Administrative expenses	7	(53.8)	(54.0)	(113.8)
Depreciation and amortisation		(5.2)	(5.5)	(10.8)
Operating expenses		(59.0)	(59.5)	(124.6)
Impairment (charge)/credit for losses on loans and advances	15	(0.3)	0.8	3.6
Provisions for liabilities charges	11	(0.3)	(0.6)	(2.9)
Operating profit and profit before taxation		21.9	22.4	49.2
Taxation expense	9	(5.3)	(5.6)	(12.6)
Profit for the period/year		16.6	16.8	36.6

Condensed consolidated statement of other comprehensive income
Group interim results for six months to 30 June 2025

	6 months to 30 June 2025 £m (Unaudited)	6 months to 30 June 2024 £m (Unaudited)	Year ended 31 December 2024 £m (Audited)
Profit for the period/year	16.6	16.8	36.6
Items that will not be reclassified subsequently to profit and loss:			
Actuarial gain on retirement benefit obligations	-	-	0.1
Tax on retirement benefit obligations	-	(0.1)	-
Items that may be reclassified subsequently to profit and loss:			
Gain on assets at fair value through other comprehensive income	0.1	0.6	-
Tax on assets at fair value through other comprehensive income	-	(0.1)	-
Total comprehensive income for the period/year	16.7	17.2	36.7

Condensed consolidated statement of financial position
Group interim results as at 30 June 2025

	Notes	30 June 2025 £m (Unaudited)	30 June 2024 £m (Unaudited) Restated[1]	31 December 2024 £m (Audited)
Assets				
Liquid assets:				
Cash in hand and balances with the Bank of England		1,050.6	1,727.9	1,668.8
Loans and advances to credit institutions		291.1	336.9	308.4
Debt securities		714.8	382.4	528.3
		2,056.5	2,447.2	2,505.5
Derivative financial instruments		155.6	339.0	246.6
Loans and advances to customers:				
Loans fully secured on residential property		11,573.8	10,377.5	11,018.6
Other loans		249.7	271.5	265.9
	10	11,823.5	10,649.0	11,284.5
Current tax assets		1.3	10.5	3.3
Intangible fixed assets		13.4	17.6	15.7
Property, plant and equipment		24.3	26.1	25.6
Investment properties		7.8	8.0	7.8
Deferred tax assets		2.1	4.4	2.1
Other assets		3.4	1.4	1.2
Prepayments and accrued income		15.0	12.6	16.9
Total assets		14,102.9	13,515.8	14,109.2
Liabilities				
Shares		11,340.9	9,907.0	10,798.8
Deposits and debt securities:				
Amounts owed to credit institutions[1]		391.6	813.7	744.8
Amounts owed to other customers		141.5	249.4	250.1
Debt securities in issue[1]		1,347.4	1,659.7	1,453.0
		1,880.5	2,722.8	2,447.9
Derivative financial instruments		77.5	113.1	67.5
Current tax liabilities		0.4	-	-
Other liabilities		12.5	11.8	13.1
Provisions for liabilities	11	3.1	2.9	5.1
Accruals and deferred income		8.5	8.3	12.1
Deferred tax liabilities		9.0	15.4	10.9
Retirement benefit obligations	8	0.1	0.3	0.1
Total liabilities		13,332.5	12,781.6	13,355.5
General reserve		769.6	733.1	753.0
Other reserves		0.8	1.1	0.7
Total equity and liabilities		14,102.9	13,515.8	14,109.2

[1] The 30 June 2024 consolidated statement of financial position has been restated to reflect the re-classification of £53.3m from debt securities in issue to amounts owed to credit institutions, to align reporting of all residential mortgage-backed security issuances.

Condensed consolidated statement of changes in Members' interests
Group interim results for six months to 30 June 2025

	Six months to 30 June 2025 (Unaudited)		
	General Reserve £m	Fair Value through OCI reserve £m	Total equity attributable to Members £m
Balance at 1 January 2025	753.0	0.7	753.7
Comprehensive income for the period	16.6	0.1	16.7
At 30 June 2025	769.6	0.8	770.4

	Six months to 30 June 2024 (Unaudited)		
	General Reserve £m	Fair Value through OCI reserve £m	Total equity attributable to Members £m
At 1 January 2024	716.3	0.7	717.0
Comprehensive income for the period	16.8	0.4	17.2
At 30 June 2024	733.1	1.1	734.2

	Year to 31 December 2024 (Audited)		
	General Reserve £m	Fair Value through OCI reserve £m	Total equity attributable to Members £m
At 1 January 2024	716.3	0.7	717.0
Comprehensive income for the period	36.7	-	36.7
At 31 December 2024	753.0	0.7	753.7

All items dealt with in arriving at the profit for the period, and the preceding financial periods, relate to continuing operations. The accounting policies and notes on pages 14 to 28 form part of these accounts.

Condensed consolidated statement of cash flows
Group interim results for six months to 30 June 2025

	6 months to 30 June 2025 £m (Unaudited)	6 months to 30 June 2024 £m (Unaudited) Restated[1]	Year ended 31 December 2024 £m (Audited)
Net cash flows from operating activities	**(291.6)**	**99.6**	**397.1**
Cash flows from investing activities			
Purchase of intangible assets	-	(0.6)	(0.9)
Purchase of property, plant and equipment	(1.5)	(2.0)	(4.2)
Purchase of investment securities	(203.5)	(58.9)	(273.8)
Proceeds from sale and maturity of investment securities	18.8	4.0	65.1
Net cash flows from investing activities	**(186.2)**	**(57.5)**	**(213.8)**
Cash flows from financing activities			
Interest paid on debt securities in issue[1]	(53.0)	(51.7)	(113.0)
Proceeds from issuance of debt securities in issue	-	500.0	500.0
Redemption of debt securities in issue[1]	(104.5)	(93.7)	(296.3)
Repayments of lease liabilities	(0.5)	(0.5)	(1.1)
Net cash flows from financing activities	**(158.0)**	**354.1**	**89.6**
Increase in cash and cash equivalents	(635.8)	396.2	272.9
Cessation of cash ratio deposit scheme	-	-	35.7
Cash and cash equivalents at beginning of period/year	1,978.6	1,670.0	1,670.0
Cash and cash equivalents at end of period/year	**1,342.8**	**2,066.2**	**1,978.6**
Represented by:			
Cash and balances with the Bank of England	1,051.2	1,728.9	1,669.7
Loans and advances to credit institutions	291.6	337.3	308.9
	1,342.8	2,066.2	1,978.6
Operating activities			
Profit before taxation	21.9	22.4	49.2
Adjusted for:			
Depreciation and amortisation	5.2	5.5	10.8
Impairment on loans and advances to customers	0.3	(0.8)	(3.6)
Change in fair values	(83.6)	26.4	(13.5)
Charge to other provisions	0.3	0.2	2.5
Interest on debt securities in issue[1]	48.5	53.0	110.3
Other non-cash items included in profit before tax	(1.7)	(9.3)	(1.5)
Changes in net operating assets			
Loans and advances to customers	(444.9)	(579.0)	(1,171.8)
Other operating assets	(0.3)	1.0	(3.3)
Derivative financial instruments	100.9	(27.2)	19.7
Shares	534.6	832.2	1,723.8
Deposits[1]	(461.8)	(214.2)	(318.1)
Other operating liabilities	(6.1)	(5.0)	0.1
Contributions paid into defined benefit scheme	-	(0.4)	(0.4)
Taxation paid	(4.9)	(5.2)	(7.1)
Net cash flows from operating activities	**(291.6)**	**99.6**	**397.1**

[1] The 30 June 2024 statement of cash flows has been restated to reflect the re-classification of £53.3m from debt securities in issue (cash flows from financing activities) to amounts owed to credit institutions (cash flows from operating activities), to align reporting of all residential mortgage-backed security issuances.

Notes to the accounts
for the six months ended 30 June 2025

1. Basis of preparation

The condensed consolidated set of financial statements of the group for the half-year ended 30 June 2025 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with UK-adopted International Accounting Standard (IAS) 34 Interim Financial Reporting. The annual financial statements of the group are prepared in accordance with UK-adopted International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted for use within the UK. The accounting policies adopted are consistent with those of the previous financial year, and we do not expect any changes for the remainder of the financial year to 31 December 2025.

Going concern

The Directors have assessed the viability of the group, taking into account business strategy, principal risks and current economic conditions. The approach taken is consistent with that undertaken at the 2024 year-end.

The Directors have considered the resilience of the group, taking account of its current position, the risks facing the business in severe but plausible scenarios and the effectiveness of any mitigating actions. The assessment has considered the potential impacts on the business model, future performance, capital adequacy and liquidity. The group's financial forecasts have been refreshed and take consideration of the macroeconomic environment, the performance of the group's lending portfolios and the availability of funding.

The group's 2024 Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) have been approved by the Board. Both are completed annually and use internal scenarios aligned to the Bank of England severity benchmarks and reflect the specific nature of the group's business. Included within these scenarios are substantial falls in residential and commercial property prices, increases in unemployment, changes to interest rates, inflation and reduced funding availability within wholesale and retail markets.

Having considered the plans and forecasts for the group, the Directors remain satisfied that the group has adequate resources and no material uncertainties that lead to significant doubt about the group's ability to continue in business for the foreseeable future. Accordingly, the financial statements continue to be prepared on a going concern basis.

New and amended standards adopted by the group

There have been no new or amended standards adopted by the group in 2025.

Adoption of other amendments to existing standards and annual improvements applicable in 2025 did not have any impact on the group's accounting policies and did not require retrospective adjustments.

Impact of standards issued but not yet applied

There are no material impacts expected from issued standards and amendments to existing standards that are not yet applicable.

Notes to the accounts
for the six months ended 30 June 2025

1. Basis of preparation (continued)

Judgements in applying accounting policies and critical accounting estimates

The critical judgements and areas of critical accounting estimates remain consistent with those disclosed in the 2024 Annual Report and Accounts. This relates to impairment provisions on loans and advances (note 15, pages 23-28), where sensitivity analysis has been performed and key judgements have been reviewed.

2. Business segments

The group operates three business segments: retail financial services, commercial lending and secured personal lending.

Transactions between the business segments are on normal commercial terms and conditions.

	Six months to 30 June 2025 (Unaudited)			
	Retail financial services £m	Commercial lending £m	Secured personal lending £m	Total £m
Net interest income	68.5	11.2	1.9	81.6
Other income and charges	(0.3)	0.5	0.3	0.5
Fair value loss	(0.6)	-	-	(0.6)
Net operating income	67.6	11.7	2.2	81.5
Operating expenses	(57.1)	(1.5)	(0.4)	(59.0)
Impairment provision for losses on loans and advances	(1.8)	1.2	0.3	(0.3)
Provision for other liabilities and charges	-	-	(0.3)	(0.3)
Operating profit and profit before taxation	8.7	11.4	1.8	21.9
Taxation expense				(5.3)
Profit after taxation				16.6

	Six months to 30 June 2024 (Unaudited)			
	Retail financial services £m	Commercial lending £m	Secured personal lending £m	Total £m
Net interest income	64.1	11.9	2.5	78.5
Other income and charges	0.3	0.6	-	0.9
Fair value gain	2.3	-	-	2.3
Net operating income	66.7	12.5	2.5	81.7
Operating expenses	(57.6)	(1.5)	(0.4)	(59.5)
Impairment provision for losses on loans and advances	(0.3)	0.5	0.6	0.8
Provision for other liabilities and charges	(0.1)	-	(0.5)	(0.6)
Operating profit and loss before taxation	8.7	11.5	2.2	22.4
Taxation expense				(5.6)
Profit after taxation				16.8

Notes to the accounts
for the six months ended 30 June 2025

2. Business segments (continued)

	Year ended 31 December 2024 (Audited)			
	Retail financial services £m	Commercial lending £m	Secured personal lending £m	Total £m
Net interest income	134.3	23.1	4.6	162.0
Other income and charges	0.7	1.5	-	2.2
Fair value gain	8.9	-	-	8.9
Net operating income	143.9	24.6	4.6	173.1
Operating expenses	(120.9)	(2.9)	(0.8)	(124.6)
Impairment provision for losses on loans and advances	1.8	1.1	0.7	3.6
Provision for liabilities	(2.8)	-	(0.1)	(2.9)
Operating profit and profit before taxation	22.0	22.8	4.4	49.2
Taxation expense				(12.6)
Profit after taxation				36.6

The group operates entirely within the UK, and therefore a geographical segment analysis is not presented.

	6 months to 30 June 2025 £m (Unaudited)	6 months to 30 June 2024 £m (Unaudited)	Year ended 31 December 2024 £m (Audited)
Total assets by business segments			
Retail financial services	13,236.9	12,707.7	13,292.7
Secured personal lending	52.1	66.1	50.5
Commercial lending	813.9	742.0	766.0
Total assets	14,102.9	13,515.8	14,109.2
Total liabilities and equity by business segment			
Retail financial services and Commercial lending	14,050.8	13,449.7	14,058.7
Secured personal lending	52.1	66.1	50.5
Total liabilities and equity	14,102.9	13,515.8	14,109.2

3. Interest receivable and similar income

	Group		
	6 months to 30 June 2025 £m (Unaudited)	6 months to 30 June 2024 £m (Unaudited)	Year ended 31 December 2024 £m (Audited)
On loans fully secured on residential property	252.9	206.3	443.8
On other loans	9.3	10.8	22.7
On debt securities	15.6	8.7	20.9
On other liquid assets	38.2	51.1	99.9
On derivative financial instruments	40.8	74.3	137.1
	356.8	351.2	724.4

Notes to the accounts
for the six months ended 30 June 2025

4. Interest payable and similar charges

	Group		
	6 months to 30 June 2025 £m (Unaudited)	6 months to 30 June 2024 £m (Unaudited)	Year ended 31 December 2024 £m (Audited)
On shares held by individuals	215.3	188.4	400.6
On deposits and debt securities	58.6	78.3	151.5
On lease liabilities	0.1	0.1	0.1
On derivative financial instruments	1.2	5.9	10.2
	275.2	272.7	562.4

5. Fees and commission receivable

	Group		
	6 months to 30 June 2025 £m (Unaudited)	6 months to 30 June 2024 £m (Unaudited)	Year ended 31 December 2024 £m (Audited)
Insurance and related financial service products	0.1	0.4	0.2
Mortgage related fees	1.1	1.2	2.7
	1.2	1.6	2.9

6. Other fair value gains and losses

	Group		
	6 months to 30 June 2025 £m (Unaudited)	6 months to 30 June 2024 £m (Unaudited)	Year ended 31 December 2024 £m (Audited)
(Losses)/gains on derivatives in hedging relationships	(85.3)	15.1	(11.3)
Gains on derivatives not in hedging relationships	1.1	5.5	6.9
(Losses)/gains on derivatives	(84.2)	20.6	(4.4)
Gains/(losses) on economic hedged items	3.2	(2.7)	(2.1)
Gains/(losses) on hedged items attributable to hedged risk	80.4	(15.6)	15.4
Gains/(losses) on hedged items	83.6	(18.3)	13.3
	(0.6)	2.3	8.9

Other fair value gains and losses represent the difference between changes in the fair values excluding interest flows of the hedging derivatives and the changes in the fair values excluding interest flows of the underlying hedged items.

Notes to the accounts
for the six months ended 30 June 2025

7. Administrative expenses

	Group		
	6 months to 30 June 2025 £m (Unaudited)	6 months to 30 June 2024 £m (Unaudited)	Year ended 31 December 2024 £m (Audited)
Wages and salaries	25.9	26.9	57.4
Social security costs	2.7	2.6	5.1
Other pension costs	1.7	1.6	3.4
	30.3	31.1	65.9
Other administrative expenses	23.5	22.9	47.9
	53.8	54.0	113.8

8. Retirement benefit obligations

The defined benefit pension scheme's current position, a £0.1m deficit, has not materially changed since the prior year-end (31 December 2024: £0.1m deficit). Due to the scheme being fully bought in since September 2023, the present value of the funded obligations is matched by the annuity policy within the fair value of assets. For further information on this position, see note 12 in the 2024 Annual Report and Accounts.

9. Taxation

The effective tax rate for the group for the 6 months to 30 June 2025 is 24.2% (30 June 2024: 25.0%), and is calculated by estimating the annual effective tax rate expected for the full financial year, before being applied to the pre-tax income of the interim period.

The effective statutory rate of corporation tax for the year ending December 2024 was 25.6%. The statutory tax rate is 25%.

The actual tax charge for the period differs from that calculated using the statutory rate of corporation tax in the UK as follows:

	Group		
	6 months to 30 June 2025 £m (Unaudited)	6 months to 30 June 2024 £m (Unaudited)	Year ended 31 December 2024 £m (Audited)
Profit before tax	21.9	22.4	49.2
Profit multiplied by the standard rate of corporation tax at 25% (2024: 25%)	5.5	5.6	12.3
Effects of:			
Expenses not deductible for tax purposes	0.1	-	0.2
Adjustments to prior years	(0.3)	-	0.1
Tax charge	5.3	5.6	12.6

Notes to the accounts
for the six months ended 30 June 2025

10. Loans and advances to customers

	Group		
	30 June 2025 £m (Unaudited)	30 June 2024 £m (Unaudited)	31 December 2024 £m (Audited)
Fully secured on residential property	11,580.2	10,529.2	11,125.4
Fully secured on land	256.1	271.6	265.9
	11,836.3	10,800.8	11,391.3
Provision for impairment losses	(31.2)	(33.7)	(30.6)
Unamortised loan origination fees	18.7	16.5	18.5
Fair value adjustment for hedged risk	(0.3)	(134.6)	(94.7)
	11,823.5	10,649.0	11,284.5

11. Provisions for liabilities

	Group		
	30 June 2025 £m (Unaudited)	30 June 2024 £m (Unaudited)	31 December 2024 £m (Audited)
At beginning of the period/year	5.1	2.6	2.6
Utilisation during the period/year	(2.3)	(0.3)	(0.4)
Addition for the period/year	0.3	0.6	2.9
At end of the period/year	3.1	2.9	5.1

At 30 June 2025, the group holds a provision of £3.1m (30 June 2024: £2.9m), of which £0.5m relates to the restructuring provision recognised per IAS 19 relating to termination benefits. The restructuring provision was created at 31 December 2024 and will be fully utilised in 2025.

The remaining £2.6m is in respect of various claims. This reflects Management's best estimate of the costs required to settle its remaining obligations and takes account of expected customer behaviour, costs incurred with associated legal claims and an updated assessment of the remaining exposure population.

Although a significant degree of uncertainty remains with regard to the ultimate cost of settling customer claims, the provision balance is expected to be sufficient to meet any remaining obligations. The provision will continue to be monitored and customer trends and behaviours analysed to ensure the provision remains appropriate.

Notes to the accounts
for the six months ended 30 June 2025

12. Notes to the consolidated Statement of Cash Flows

For the purposes of the Statements of Cash Flows, provisions for impairment losses are removed from cash and cash equivalents in order to disclose gross figures. A reconciliation is provided below for cash and cash equivalents as per the Statements of Financial Position and the Statements of Cash Flows.

	Group		
	30 June 2025 £m (Unaudited)	30 June 2024 £m (Unaudited)	31 December 2024 £m (Audited)
Cash in hand and balances with the BoE:			
As per the Statements of Financial Position	1,050.6	1,727.9	1,668.8
Provision for impairment losses	0.6	1.0	0.9
As per the Statement of Cash Flows	1,051.2	1,728.9	1,669.7
Loans and advances to credit institutions:			
As per the Statements of Financial Position	291.1	336.9	308.4
Provision for impairment losses	0.5	0.4	0.5
As per the Statement of Cash Flows	291.6	337.3	308.9

For the purposes of the Statements of Cash Flows, debt securities in issue and lease liabilities are classified as liabilities arising from financing activities. The table below provides a reconciliation of movements in liabilities arising from financing activities:

	Group		
	30 June 2025 £m (Unaudited)	30 June 2024 £m (Unaudited)	31 December 2024 £m (Audited)
Debit securities in issue:			
At beginning of the period/year	1,453.0	1,262.1	1,262.1
Cash:			
Proceeds from issuance	-	500.0	500.0
Redemptions	(104.5)	(93.7)	(296.3)
Interest Paid	(53.0)	(51.7)	(113.0)
Non-cash:			
Accrued interest	48.5	53.0	110.3
Other non-cash movements	0.2	0.1	0.4
Fair value movements	3.2	(10.1)	(10.5)
At end of the period/year	1,347.4	1,659.7	1,453.0
Lease liabilities:			
At beginning of the period/year	3.7	4.4	4.4
Cash:			
Repayment of lease liabilities	(0.5)	(0.5)	(1.1)
Non-cash:			
Accrued interest	0.1	-	0.1
New leases	0.1	-	0.3
At end of the period/year	3.4	3.9	3.7

Notes to the accounts
for the six months ended 30 June 2025

13. Related party transactions

The group had no related party transactions outside the normal course of the business during the six months to 30 June 2025. Transactions for this period are similar to those for the year to 31 December 2024, details of which can be found in note 35 of the 2024 Annual Report and Accounts.

14. Financial instruments

Carrying values and fair values

The table below compares carrying values and fair values of the group's financial instruments by category.

	30 June 2025		31 December 2024	
	Carrying Value £m (Unaudited)	Fair Value £m (Unaudited)	Carrying Value £m (Audited)	Fair Value £m (Audited)
Total assets				
Cash in hand and balances with Bank of England	1,050.6	1,050.6	1,668.8	1,668.8
Loans and advances to credit institutions	291.1	291.1	308.4	308.4
Debt securities	714.8	714.8	528.3	528.3
Derivative financial instruments	155.6	155.6	246.6	246.6
Loans and advances to customers	11,823.5	11,925.5	11,284.5	11,378.3
	14,035.6	14,137.6	14,036.6	14,130.4
Total liabilities				
Shares	11,340.9	11,347.6	10,798.8	10,781.6
Amounts owed to credit institutions	391.6	391.6	744.8	744.8
Amounts owed to other customers	141.5	141.5	250.1	250.1
Debt securities in issue	1,347.4	1,381.2	1,453.0	1,479.4
Derivative financial instruments	77.5	77.5	67.5	67.5
	13,298.9	13,339.4	13,314.2	13,323.4

Further details on the methods and assumptions which have been applied in determining fair value are set out in note 31 of the 2024 Annual Report and Accounts.

Assets and liabilities measured at fair value

	30 June 2025 (Unaudited)			
	£m	Level 1 £m	Level 2 £m	Level 3 £m
Financial assets at fair value through profit or loss:				
Derivative financial instruments	155.6	-	134.6	21.0
Financial assets at fair value through other comprehensive income:				
Debt securities	714.8	714.8	-	-
Total	870.4	714.8	134.6	21.0
Financial liabilities at fair value through profit or loss:				
Amounts owed to credit institutions	1.8	-	1.8	-
Debt securities in issue	11.7	11.7	-	-
Derivative financial instruments	77.5	-	56.5	21.0
Total	91.0	11.7	58.3	21.0

Notes to the accounts
for the six months ended 30 June 2025

14. Financial instruments (continued)

	30 June 2024 (Unaudited)			
	£m	Level 1 £m	Level 2 £m	Level 3 £m
Financial assets at fair value through profit or loss:				
Derivative financial instruments	339.0	-	254.9	84.1
Financial assets at fair value through other comprehensive income:				
Debt securities	382.4	382.4	-	-
Total	721.4	382.4	254.9	84.1
Financial liabilities at fair value through profit or loss:				
Amounts owed to credit institutions	1.8	-	1.8	-
Debt securities in issue	8.8	8.8	-	-
Derivative financial instruments	113.1	-	29.0	84.1
Total	123.7	8.8	30.8	84.1

	31 December 2024 (Audited)			
	£m	Level 1 £m	Level 2 £m	Level 3 £m
Financial assets at fair value through profit or loss:				
Derivative financial instruments	246.6	-	205.1	41.5
Financial assets at fair value through other comprehensive income:				
Debt securities	528.3	528.3	-	-
Total	774.9	528.3	205.1	41.5
Financial liabilities at fair value through profit or loss:				
Amounts owed to credit institutions	1.8	-	1.8	-
Debt securities in issue	8.4	8.4	-	-
Derivative financial instruments	67.5	-	26.0	41.5
Total	77.7	8.4	27.8	41.5

The tables above provide an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

Hierarchy for fair value disclosures

Level	
1.	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
2.	Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly (i.e. derived from prices).
3.	Inputs for the asset or liability that are not based on observable market data.

The items included within level 3 are interest rate swaps, the notional amounts for which track the amortisation profile of the mortgage assets within the RMBS structures. The valuations are calculated by Bloomberg, using present value calculations based on market interest rate curves and projected mortgage prepayment amounts. The unobservable inputs relate to the projection of the notional amounts of the swaps, which change over time to match the balance of the underlying mortgage portfolio. There were no significant inter-relationships between unobservable inputs that materially affect fair values. There have been no additions within this category during the year, therefore total movements in 2025 are due to changes in market rates.

The costs to replace derivatives contracts in the event that a counterparty was unable to honour their contractual obligation are materially equal to the fair value of the derivatives disclosed above.

Notes to the accounts
for the six months ended 30 June 2025

14. Financial instruments (continued)

The fair value of the level 3 derivatives is shown in the table below.

	Group		
	30 June 2025 £m (Unaudited)	30 June 2024 £m (Unaudited)	31 December 2024 £m (Audited)
Financial assets at fair value through profit or loss:			
At beginning of the period/year	41.6	43.9	43.9
Fair value gains	(18.4)	8.8	(31.8)
Fair value additions	-	32.8	32.8
Interest received/(paid)	(2.2)	(1.4)	(3.4)
At end of the period/year	21.0	84.1	41.5
Financial liabilities at fair value through profit or loss:			
At beginning of the period/year	(41.6)	(43.9)	(43.9)
Fair value gains	18.4	(8.8)	31.8
Fair value additions	-	(32.8)	(32.8)
Interest (received)/paid	2.2	1.4	3.4
At end of the period/year	(21.0)	(84.1)	(41.5)

15. Credit risk

The table below shows the group's estimated maximum exposure to credit risk for all financial assets.

i) Loans and advances to customers

The group's loans and advances to customers can be broken down by security as follows:

	Group		
	30 June 2025 £m (Unaudited)	30 June 2024 £m (Unaudited)	31 December 2024 £m (Audited)
In respect of loans and advances to customers:			
Secured by a first charge on residential property	11,536.8	10,471.4	11,075.3
Secured by a first charge on land	256.1	271.6	265.9
Secured by a second charge on residential property	43.4	57.8	50.1
	11,836.3	10,800.8	11,391.3
Provisions for impairment losses	(31.2)	(33.7)	(30.6)
Effective interest rate adjustments	18.7	16.5	18.5
Fair value adjustments	(0.3)	(134.6)	(94.7)
	11,823.5	10,649.0	11,284.5

15. Credit risk (continued)

The group's exposure to credit risk relating to loans and advances to customers by business segment split by stage in accordance with IFRS 9 is as follows:

Stage	Retail Financial Services 30 June 2025 £m (Unaudited)	Retail Financial Services 31 December 2024 £m (Audited)	Commercial Lending 30 June 2025 £m (Unaudited)	Commercial Lending 31 December 2024 £m (Audited)	Secured Personal Lending 30 June 2025 £m (Unaudited)	Secured Personal Lending 31 December 2024 £m (Audited)
1	9,416.8	9,010.1	882.5	904.4	22.2	26.5
2	2,126.7	2,060.4	93.8	100.3	16.1	18.0
3	86.5	79.1	20.1	23.0	4.9	5.4
	11,630.0	11,149.6	996.4	1,027.7	43.2	49.9

The group's expected credit losses split by stage in accordance with IFRS 9 and by business segment is as follows:

	6 months to 30 June 2025 £m (Unaudited)	6 months to 30 June 2024 £m (Unaudited)	Year ended 31 December 2024 £m (Audited)
Retail financial services	20.7	20.6	18.5
Secured personal lending	1.0	2.0	1.5
Commercial lending	9.5	11.1	10.6
	31.2	33.7	30.6

The group's split of loans by stage in accordance with IFRS 9 and by business segment is as follows:

Retail Financial Services and Secured Personal Lending

Stage	6 months to 30 June 2025 £m (Unaudited)	6 months to 30 June 2024 £m (Unaudited)	Year ended 31 December 2024 £m (Audited)
1	80.8%	80.4%	80.6%
2	18.4%	18.9%	18.6%
3	0.8%	0.7%	0.8%
	100.0%	100.0%	100.0%

Commercial Lending

Stage	6 months to 30 June 2025 £m (Unaudited)	6 months to 30 June 2024 £m (Unaudited)	Year ended 31 December 2024 £m (Audited)
1	88.6%	85.7%	88.0%
2	9.4%	13.7%	9.8%
3	2.0%	0.6%	2.2%
	100.0%	100.0%	100.0%

15. Credit risk (continued)

The average index-linked loan balance to value (BTV), in respect of the group's loans secured on residential property, is 60.2% (31 December 2024: 59.4%).

The percentage of retail lending cases fully secured by a first charge currently with arrears greater than three months by number is 0.56% (31 December 2024: 0.55%) which by value is 0.03% (31 December 2024: 0.03%).

The percentage of secured personal loans currently with arrears greater than three months by number is 7.11% (31 December 2024: 7.07%) which by value is 10.33% (31 December 2024: 10.61%).

The significant judgements applied in determining expected credit loss provisions are:

- determining criteria for identifying a significant increase in credit risk;
- choosing appropriate models and assumptions for the measurement of expected credit losses; and
- establishing the number and relative weightings of forward-looking economic scenarios.

Sensitivity analysis has been performed on the staging criteria. A 10% variance has been selected as this is deemed to be a reasonable variation which could occur over a 12 month period in the current economic environment. The impact of a 10% increase or reduction in the volume of loans in stage 2 is as follows:

Stage	Retail financial services £m	Secured personal lending £m	Commercial lending £m
Stage 1 to Stage 2	4.9	-	2.0
Stage 2 to Stage 1	(1.2)	-	(0.3)

Forward looking economic scenarios

Forecasts of economic variables together with probability weightings are supplied by an external provider. Economic scenarios have been selected which take account of a range of possible economic outcomes.

Scenario	Weighting at 30 June 2025 %	2025 Scenario				Weighting at 31 Dec 2024 %	2024 Scenario			
		2025 %	2026 %	2027 %	2028 %		2025 %	2026 %	2027 %	2028 %
HPI (Growth)										
Base	50	4.2	3.2	2.6	1.4	50	2.2	3.9	2.6	1.5
Upside	20	10.8	13.4	2.5	(2.5)	20	16.6	7.0	0.1	(2.6)
Downside	23	(6.8)	(11.2)	(0.2)	4.0	23	(12.5)	(8.4)	2.2	4.2
Severe Downside	7	(2.8)	(16.4)	(2.9)	2.5	7	(15.2)	(9.6)	2.3	2.9

Scenario	Weighting at 30 June 2025 %	2025 Scenario				Weighting at 31 Dec 2024 %	2024 Scenario			
		2025 %	2026 %	2027 %	2028 %		2025 %	2026 %	2027 %	2028 %
Unemployment (Absolute)										
Base	50	4.6	4.7	4.7	4.7	50	4.4	4.5	4.6	4.7
Upside	20	4.2	3.9	3.8	4.0	20	3.8	3.6	3.8	4.1
Downside	23	5.9	7.1	7.1	7.0	23	6.2	7.0	7.0	7.0
Severe Downside	7	5.7	8.7	8.3	8.2	7	7.5	8.3	8.2	8.0

Notes to the accounts
for the six months ended 30 June 2025

15. Credit risk (continued)

Scenario	Weighting at 30 June 2025 %	2025 Scenario 2025 %	2026 %	2027 %	2028 %	Weighting at 31 Dec 2024 %	2024 Scenario 2025 %	2026 %	2027 %	2028 %
Nominal GDP (Growth)										
Base	50	3.9	3.7	3.9	3.9	50	5.0	3.5	4.3	3.5
Upside	20	6.5	5.8	3.8	3.6	20	9.4	3.8	4.1	3.3
Downside	23	4.8	1.2	1.9	4.4	23	6.6	(0.5)	3.2	4.3
Severe Downside	7	(1.2)	(4.3)	4.6	5.4	7	(6.3)	0.8	6.6	4.3

Post model adjustment (PMA) - Refinance risk

Whilst there have been reductions to the Bank of England base rate to 4.25%, there remains a risk that current market rates may place additional affordability pressures on customers due to refinance within the next 60 months. There is a risk that customers may struggle to afford their mortgage repayments when their rate resets, as a number of customers are currently paying fixed rates much lower than current market rates. The refinance period of 60 months in line with the current maximum fixed term period. In order to address this risk a group of 1,024 customers (31 December 2024: 1,239), based on credible evidence that they will be unable to afford their mortgage payments when they refinance and their payments increase, deemed most at risk has been identified. These customers remain in stage 1, however a PMA of £0.7m (31 December 2024: £0.8m) has been calculated using average stage 2 ECLs to recognise the increased risk. Shortening the refinance period to 18 months would decrease the PMA by £0.3m.

The IFRS 9 models calculate expected credit losses for each scenario and then apply the weightings to generate the weighted output for each model. Sensitivity analysis has been performed on the impact of each economic scenario. The table below shows the range of ECL impact between the most optimistic and the most severe scenario. The ECL range is the difference between applying a 100% weighting to the most severe downturn scenario and the upside scenario.

Portfolio	Upside £m	Severe Downside £m	ECL Range £m
Retail financial services	6.1	40.0	33.9
Secured personal lending	0.6	1.2	0.6
Commercial lending	6.2	11.3	5.1
Total	**12.9**	**52.5**	**39.6**

15. Credit risk (continued)

The tables below set out information on movements in impairment loss provisions on loans and advances to customers:

	Group			
	Stage 1 12 month ECL £m	Stage 2 Lifetime ECL £m	Stage 3 Lifetime ECL £m	Total £m
At 1 January 2025	**6.5**	**15.3**	**8.8**	**30.6**
Transfers:				
Stage 1 transfers	(3.9)	-	-	(3.9)
Stage 2 transfers	-	1.9	-	1.9
Stage 3 transfers	-	-	2.0	2.0
New loans	1.1	0.2	-	1.3
Settled loans	(0.8)	(0.5)	(0.7)	(2.0)
Changes in credit quality	3.8	(1.9)	(0.5)	1.4
Changes in model assumptions	(0.1)	-	-	(0.1)
Loss allowance at 30 June 2025	**6.6**	**15.0**	**9.6**	**31.2**

	Group			
	Stage 1 12 month ECL £m	Stage 2 Lifetime ECL £m	Stage 3 Lifetime ECL £m	Total £m
At 1 January 2024	10.8	16.5	7.3	34.6
Transfers:				
Stage 1 transfers	(5.6)	-	-	(5.6)
Stage 2 transfers	-	1.6	-	1.6
Stage 3 transfers	-	-	4.0	4.0
New loans	2.0	2.0	0.1	4.1
Settled loans	(1.7)	(1.8)	(1.2)	(4.7)
Changes in credit quality	3.7	(2.5)	(1.4)	(0.2)
Changes in model assumptions	(2.7)	(0.5)	-	(3.2)
Loss allowance at 31 December 2024	**6.5**	**15.3**	**8.8**	**30.6**

ii) Commercial

Loans secured on commercial property are diversified by industry type with the largest exposure to one counterparty amounting to £61.8m (31 December 2024: £62.2m) or 7.2% (31 December 2024: 7.7%) of gross balances.

Asset quality remains strong with a reduction in impaired balances to £20.1m (31 December 2024: £23.0m), or 2.4% of gross balances (31 December 2024: 2.8%).

The number of accounts in forebearance has decreased to 17 with balances of £32.3m (31 December 2024: 32 accounts with balances of £58.4m).

Notes to the accounts
for the six months ended 30 June 2025

15. Credit risk (continued)

iii) Treasury

The treasury risk function monitors exposure concentrations against a variety of criteria including counterparty and country limits, and all exposures are well spread across this risk assessment framework. Provisions for expected credit losses in relation to treasury instruments of £1.2m were held at 30 June 2025 (31 December 2024: £1.5m).

Responsibility statement

We confirm that to the best of our knowledge:

(a) the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the UK;

(b) the interim management report includes a fair review of the information required by DTR 4.2.7 (indication of important events and their impact during the first six months and the description of principal risks and uncertainties for the remaining six months of the year); and

(c) the interim management report includes a fair review of the information required by DTR 4.2.8 (indication of any related party transactions that have taken place or any changes in the related party transactions described in the last annual report).

By order of the Board,

Julie-Ann Haines
Chief Executive Officer
1 August 2025

Independent review report to Principality Building Society

We have been engaged by the Principality Building Society to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2025 which comprises the condensed consolidated income statement, condensed consolidated statement of other comprehensive income, condensed consolidated statement of financial position, condensed statement of changes in Member's interests, condensed consolidated statement of cash flows and related notes 1 to 15.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2025 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom (ISRE (UK) 2410). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the Society are prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusion Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This Conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the Society's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the Society a conclusion on the condensed set of financial statements in the half-yearly financial report. Our Conclusion, including our Conclusion Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Independent review report to Principality Building Society (continued)

Use of our report

This report is made solely to the Society in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the Society those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP

Deloitte LLP
Statutory Auditor
Manchester, UK
1 August 2025

Other information

The information for the period ended 30 June 2025 is unaudited and does not constitute accounts within the meaning of section 73 of the Building Societies Act 1986. The financial information for the year ended 31 December 2024 has been extracted from the Annual Report and Accounts for that year. The annual accounts for the year ended 31 December 2024 have been filed with the Financial Conduct Authority.

The auditor's report on the 2024 Annual Report and Accounts was not qualified and did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report.

A copy of this Half Year Financial Report is placed on Principality Building Society's website. The Directors are responsible for the maintenance and integrity of the information on the website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Glossary

Arrears	A customer is in arrears when they are behind in fulfilling their obligations with the result that an outstanding loan payment is overdue. Such a customer can also be said to be in a state of delinquency.
Balance to Value ratio (BTV)	A ratio showing outstanding loan balance as a percentage of the value of the security.
Carbon net zero	Net zero means that we will reduce all of our Scope 1 and 2 emissions to as little as possible by 2030 as well as a 50% reduction in Scope 3 emissions, and we will achieve net zero in all Scopes by 2040. Scope 1 emissions - generated by directly owned or controlled sources i.e. fuel combustion and company-owned vehicles. Scope 2 emissions - purchased electricity. Scope 3 emissions - other indirect operational emissions that occur in the supply chain, both upstream and downstream.
Commercial lending	Loans to a commercial borrower.
Contractual maturity	The final payment date of a loan or other financial instrument, at which point the entire remaining outstanding principal and interest is due to be repaid.
Common Equity Tier 1 capital	The highest quality form of capital as defined in the Capital Requirements Directive IV, comprising accumulated reserves and qualifying instruments after regulatory deductions.
Common Equity Tier 1 capital ratio	Common Equity Tier 1 capital as a proportion of risk-weighted assets.
Cost income ratio	A ratio that represents the proportion of management expenses (i.e. administrative expenses, depreciation and amortisation) to total income.
Credit risk	The risk of financial loss arising from a failure of a customer or counterparty to settle their financial and contractual obligations as they fall due.
Debt securities in issue	Transferable certificates of indebtedness including Residential Mortgage Backed Securities and Euro Medium Term Notes.
Defined benefit pension scheme	A scheme that defines the benefit an employee will receive on retirement, depending on such factors as age, length of service and salary.
Financial Conduct Authority (FCA)	The statutory body responsible for conduct of business regulation and supervision of UK authorised firms from 1 April 2013. The FCA also has responsibility for protecting consumers and promoting healthy competition.
Internal Capital Adequacy Assessment Process (ICAAP)	The group's internal assessment of the levels of capital that need to be held by the Society to meet its regulatory capital requirements.
Internal Liquidity Adequacy Assessment Process (ILAAP)	The group's internal assessment of the levels of liquidity that need to be held by the Society to meet its regulatory liquidity requirements.
Leverage ratio	A ratio which measures Tier 1 capital against total on and off balance sheet assets.
Liquid assets	Cash or other assets that can be readily converted to cash without loss of value.

Glossary (continued)

Liquidity Coverage Ratio (LCR)	A liquidity metric which aims to ensure that a firm maintains an adequate level of liquidity to meet its needs for a 30 calendar day time horizon under a severe stress scenario.
Loan To Value ratio (LTV)	A ratio showing initial loan balance as a percentage of the value of the security.
Management expense ratio	A ratio that measures management expenses (i.e. administrative expenses, depreciation and amortisation) as a proportion of mean assets.
Member	A person who has a share investment or a mortgage loan with the Society.
Net interest income	The difference between the interest received on assets and the interest paid on liabilities.
Net interest margin	This ratio calculates the net interest income as a percentage of mean total assets.
Net retail mortgage lending	Total movements in the retail mortgage book; includes all inflows and outflows in respect of retail lending.
Net retail savings growth	Total movements in the retail savings portfolio; includes all inflows and outflows in relation to retail savings.
Regulatory capital	Capital allowable under regulatory rules, less certain required regulatory adjustments and deductions.
Residential Mortgage Backed Securities (RMBS)	A category of asset backed security that represents interests in a group of residential mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest and/or principal).
Retail loans	Loans to individuals rather than institutions, including residential mortgage lending.
Shares	Money deposited by Members in a retail savings account with the Society and held as a liability in the statement of financial position.

ONLINE

Visit us at **principality.co.uk**
or on our social channels
@principalitybs
for the latest updates,
including our opening hours.

VISIT

To find your nearest branch
visit **principality.co.uk/branch**

CONTACT

If you would like to get in touch
call us on **0330 333 4000**• or email
us at **enquiries@principality.co.uk**

MEMBER PULSE

Have your say by joining
our online community at
principalitypulse.co.uk

Building your future

- To help us maintain our service and security standards, telephone calls may be monitored and recorded.

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Cymdeithas Adeiladu

Where home matters
principality.co.uk